

# Exhibit 1

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF ALABAMA  
EASTERN DIVISION**

<b>PEARSON'S PHARMACY, INC.,</b>	)	
	)	
<b>Plaintiff,</b>	)	<b>Civil Action No.: 3:05-cv-1072-F</b>
	)	
<b>v.</b>	)	
	)	
<b>BLUE CROSS AND BLUE SHIELD OF ALABAMA,</b>	)	
	)	
<b>Defendant,</b>	)	

**AFFIDAVIT OF GEORGE S. HILLER, III, R.Ph.**

**STATE OF ALABAMA** )

**COUNTY OF JEFFERSON** )

Before me, the undersigned authority in and for the state and county, personally appeared George S. Hiller, III, who being known to me and having been duly sworn by me, on oath deposes and says:

1. I am of sound mind and understand the taking of an oath. I have personal knowledge of every statement made in this Affidavit, all of which are true and correct. I am over the age of nineteen (19) and fully competent and authorized to testify to the matter herein.

2. I am employed by Blue Cross Blue Shield of Alabama ("Blue Cross") as the Operations Manager for Pharmacy Benefit Management. In this position, my duties include developing local and national pharmacy provider networks and negotiating contracts and managing relationships with pharmacy providers and suppliers. I have been in this position for more than twelve (12) years.

3. I submit this affidavit in support of Blue Cross's Opposition to Plaintiff's Motion to Remand. I have reviewed the records of Blue Cross relating to reimbursement of pharmacies for prescriptions, and I am familiar with all aspects of the Pharmacy Benefit Management operation at Blue Cross.

4. Blue Cross maintains data regarding pharmacies reimbursed by Blue Cross, ("payees"). At my direction and under my supervision, a list of the payees has been created. Based on my review of this list, there are a total of 1335 Alabama pharmacies that receive reimbursements for prescriptions pursuant to the Participating Pharmacy Agreement ("the Contract"). A true and accurate copy of this payee list is attached hereto as Exhibit "A"<sup>1</sup>.

5. Of the 1335 Alabama pharmacies that receive reimbursement for prescriptions as part of the Blue Cross Network, six hundred and seventy-three (673) are based in Alabama and receive payment at an Alabama address.

6. The remaining Alabama pharmacies that are reimbursed for prescriptions pursuant to the Participating Pharmacy Agreement receive reimbursement payments at an address outside Alabama. Therefore, there are a total of six hundred and sixty-two Alabama pharmacies in the Blue Cross Network, or roughly 49.5% of the Network, for which payment is made out of state.

7. The pharmacies receiving payment out of state include the following: CVS, Wal-Mart, Winn Dixie, Walgreen's, K-Mart, Fred's, Publix, Target, Kroger, Sam's Club, Costco and Critical Care Systems, Inc.

8. There are 146 CVS stores, 89 Wal-Mart stores, 62 Winn-Dixie stores, 47 Walgreen's stores, 29 K-Mart stores, 23 Fred's stores, 22 Publix stores, 11 Target stores, 10

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<sup>1</sup> This list has been reduced for purposes of submission via electronic filing. If the Court desires to print Exhibit A to Exhibit 1, it should print it on legal paper. Alternatively, Blue Cross would be happy to provide a copy on oversized paper if it would be helpful to the Court.

Kroger stores, 7 Sam's Club stores, 2 Costco stores and 2 Critical Care stores (total: 450) operating in Alabama that receive reimbursements pursuant to a Participating Pharmacy Agreement.

9. Based on my review of Blue Cross records, between 1999 and 2005, total reimbursements to Alabama pharmacies listed on the payee list exceeded \$2 billion.

10. Also based on my review, in the current year to date, Blue Cross has remitted \$261,645,539.73 in payments to addresses outside of the state and \$178,627,873.12 to addresses in Alabama in the form of reimbursements to Alabama pharmacies.

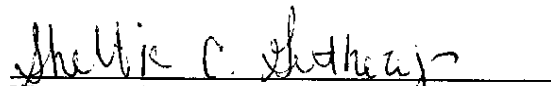
  
George S. Hiller, III

STATE OF ALABAMA )

JEFFERSON COUNTY )

I, the undersigned, a notary public in and for said county and said state, hereby certify that George S. Hiller, III, whose name is signed to the foregoing instrument and who is known to me, acknowledged before me on this date that, being informed of the contents of the instrument, and attesting to the veracity thereof, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal on this the 21 day of December, 2005.

  
Notary Public  
My Commission Expires: 4-20-09